

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

RSC-01 USIA-06 PRS-01 SP-02 EB-07 TRSE-00 COME-00

OMB-01 FRB-01 AID-05 L-02 /045 W

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R 132046Z JAN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9490

C O N F I D E N T I A L BUENOS AIRES 0247

E.O. 11652: GDS

TAGS: EFIN, AR

SUBJECT: CHASE MANHATTAN INTERESTS IN ARGENTINA

REF BA 7566

1. LOCAL PRESS TODAY FEATURED ACCOUNTS OF GOMEZ MORALES' DISCUSSIONS WITH US FIRMS AND BANKS, INCLUDING CHASE MANHATTAN, WHICH, ACCORDING TO PRESS, WILL SOON PRESENT NEW PROPOSAL FOR INVESTMENT BANK HERE. EMBOFF REVIEWED CHASE SITUATION WITH LOCAL REP HERE WHO PROVIDED FOLLOWING INFORMATION.

2. CHASE HAS WORKED OUT SETTLEMENT WITH GOA AND WILL, IN FACT, SUBMIT INVESTMENT BANK PROPOSAL TO CENTRAL BANK IN VERY NEAR FUTURE. NEW BANK WOULD BE WHOLLY-OWNED CHASE SUBSIDIARY, BEARING CHASE'S NAME, WHOSE PAID IN CAPITAL WOULD CONSIST OF APPROXIMATELY \$3 MILLION WHICH CHASE EXPECTS TO RECEIVE FROM GOA FOR ITS PREVIOUS HOLDINGS IN BANCO ARGENTINO DE COMERCIO. ONCE CENTRAL BANK APPROVAL IS OBTAINED, PROJECT MUST BE THEN SUBMITTED TO CONGRESS WHERE REACTION MAY BE CONTROVERSIAL. IN PRACTICE, LOCAL REP ADMITS HE EXPECTS NEW CHASE BRANCH, IF PROJECT IMPLEMENTED, WOULD BE OPERATED PRETTY MUCH AS ANY OTHER FOREIGN COMMERCIAL BANK HERE.

3. LOCAL REP EMPHASIZED THAT ALTHOUGH CHASE PLANNED PRESS AHEAD WITH NEW "INVESTMENT BANK" PROJECT, IT ALSO EXPECTED TO SUE
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GOA IN COURT SEEKING TO RECOVER APPROXIMATELY \$3 MILLION MORE FROM

ITS INTERESTS IN BANCO ARGENTINO DE COMERCIO. HE EXPLAINED THAT CHASE FELT IT HAD TO PURSUE LEGAL ACTION AGAINST THE GOVERNMENT EVEN WHILE SEEKING TO REMAIN IN ARGENTINA. CHASE'S PLANS TO INITIATE LEGAL ACTION HAVE BEEN MADE KNOWN TO GOMEZ MORALES.

4. IN RESPONSE TO A QUESTION, LOCAL REP EXPLAINED GOA PROGRESS ON BANK RENATIONALIZATION HAD GONE SLOWLY BECAUSE GOA WISHED TO HANDLE ALL BANKS INVOLVED TOGETHER AND IT WAS UNABLE TO MOVE UNTIL CHASE SITUATION CLEARED UP. HE THOUGHT FINAL GOA OFFERS OF COMPENSATION FOR BANKS (US BANKS INVOLVED INCLUDE CHASE'S INTEREST IN BANCO ARGENTINO DE COMERCIO, FNCB INTERESTS IN BAHIA BLANCA BRANCH & BANCO ARGENTINO DEL ATLANTICO & MORGAN GUARANTEE'S INTEREST IN BANCO FRANCES DEL RIO DE LA PLATA) WOULD NOW BE FORTHCOMING IN NEAR FUTURE. HE ADDED THAT THE GOA PROBABLY WOULD NOT PLACE BANCO ARGENTINO DE COMERCIO UP FOR PUBLIC AUCTION BUT INSTEAD WOULD CONTINUE TO OPERATE IT AS A STATE INSTITUTION EITHER UNDER ITS OWN NAME OR POSSIBLY BY INTEGRATING IT INTO BANCO DE LA NACION.

5. COMMENT. GOMEZ MORALES'S RETURN TO GOVERNMENT AS ECONOMICS MINISTER HAS IMPROVED PROSPECTS FOR A SATISFACTORY SOLUTION OF CHASE'S SITUATION HERE. WE HOPE ANY ADVERSE REACTION FROM ITS LEGAL SUIT, EITHER ON BILATERAL RELATIONS OR WITHIN THE INTERNATIONAL FINANCIAL COMMUNITY, CAN BE MINIMIZED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MEETING REPORTS, BANKS, FOREIGN INVESTMENTS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS00247
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750013-0244
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750158/aaaabysr.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BA 7566
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by CunninFX>; APPROVED <18 DEC 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHASE MANHATTAN INTERESTS IN ARGENTINA
TAGS: EFIN, AR, CHASE MANHATTAN BANK, (MORALES, GOMEZ)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006